

# Memorandum

To: Panel Members

From: Ron Tagami, Manager  
Peter DeMauro, General Counsel

Subject: Proposed Amendment No.1 for **Frito-Lay, Inc.**  
(www.fritolay.com)

Date: May 23, 2002

Analyst: J. Johnson

## CONTRACTOR:

- Training Project Profile: Retraining: companies with out-of-state competition
- Legislative Priorities: Stimulating Exports/Imports  
Moving to a High Performance Workplace
- Type of Industry: Services
- Repeat Contractor: Yes
- Contractor's Full Time Employees:
  - Company Wide: 100,000
  - In California: 4,000
- Fringe Benefits: Yes
- Union Representation: No
- Name and Local Number of Union representing workers to be Trained: N/A

## CONTRACT:

- Program Costs:
  - Present Program Costs:** \$124,410
  - Amendment Program Costs +:** \$36,400
  - Total Program Costs:** \$160,810
- Substantial Contribution:
  - Present Contract Contribution:** \$0
  - Amendment Contribution +:** \$0
  - Total Contributions:** \$0
- Total ETP Funding: \$160,810
- In-Kind Contribution: \$165,299
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Orange
- Duration of Agreement: 24 months

**ACTIVE PROJECTS:**

The following are current project statistics:

Agreement No.	Term	Agreement Amount	Number To be Retained	Number Enrolled	Number Completed Training	Number Hired (Complete for new hires only)	Number retained for 90 days
ET01-0365	6/30/01-06/29/03	\$124,410	122	118	5		*0

*\*With 97% of the number to be retained already enrolled at this time, the Contractor anticipates 100% of the trainees will complete the 90-day retention period.*

**NARRATIVE:**

This project to train workers of the distributions center facilities was approved at the June 28, 2001 Panel meeting.

The project was brought to the Panel's attention through the marketing efforts of the California Manufacturers Technology Association. Frito-Lay is eligible for ETP funding as a product distribution center under Title 22, CCR Section 4416(a)(4), Out-Of-State Competition.

Founded in San Antonio, Texas in 1932 by C.E. Doolin, the Frito Company began manufacturing snack products at about the same time Herman Lay bought a one-man branch of an Atlanta, Georgia Potato Chip Company. By 1945, the two companies had discovered each other. The Frito Company had begun selling Lay's potato chips in the Southwest and the Lay Company had begun selling Fritos brand corn chips in the Southeast. In 1961, the Frito Company and H.W. Lay & Company merged as Frito-Lay.

In 1965, Frito-Lay, headquartered in Plano, Texas, merged with the Pepsi-Cola Company to form PepsiCo, Inc., headquartered in Purchase, New York, a corporation with approximately a half-million employees worldwide. Today, Frito-Lay, Inc. has 100,000 employees worldwide, 4,000 of who are located throughout California in various offices, plants, and distribution centers. Frito-Lay produces and distributes a wide range of snack foods, including Lays Potato Chips, Doritos, Tostitos, Fritos, Sun Chips, Ruffles and Rold Gold Pretzels.

In Phase I, the company sought funding to provide a training program aimed at improving operating systems and performance. The training plan included courses in Technical Skills (performance based training), Continuous Improvement, Business Skills, Leadership and Management Skills and Computer Skills. Technicians, pickers, warehouse staff, and operations managers are learning how to contribute to the company's team effort to create a high performance workplace. The training helped Frito-Lay to increase customer service and satisfaction, increase productivity, and cut costs.

The Contractor is requesting to add a second phase to retrain 40 additional pickers to pull merchandise from the warehouse prior to morning deliveries and sales routes. In the past, this task was mostly performed by sales staff. This method is no longer cost effective as too much time is taken away from making sales and providing customer service. Now, the pickers will pull all orders for both high volume stores and "up and down the street" shops, and the sales staff will concentrate on building displays, servicing customers, and selling merchandise. The curriculum for this occupational group will be identical to those being trained in Phase I.

**Supplemental Nature of Training**

The Contractor states that at its Service and Distribution facilities, Frito Lay has been actively training its employees in past years in a few basic areas. Although most training for new employees is accomplished through job shadowing or the “buddy” system, the company has provided some formal classroom training. This training included Safety training for frontline workers, Environmental Awareness for the entire workforce; and Performance-Based (Commercial Skills) training for a select number of employees deemed to have advancement potential.

Without ETP funding, Frito-Lay would continue to provide safety and other mandatory training to all workers. The company would also provide job specific courses to a portion of the work force, targeting employees that either show promise or need remedial training.

Over the next two years, with ETP’s assistance, the goal is all-inclusive: Frito-Lay wants to ensure that all workers are trained in all skills necessary to perform their individual job duties. ETP funding allows Frito-Lay to have instructors totally dedicated to the training program. Moreover, with ETP funding, Frito-Lay is committed to providing the five core business skills (Continuous Improvement) and performance-based (Commercial Skills) training to every Frito-Lay employee.

**In-Kind Contribution**

For Phase I, the estimated employer contribution was \$130,299 for trainee wages paid while in training. The Contractor is adding \$35,000 to the contribution in Phase II for wages paid during training for a total of \$165,299.

**PROPOSED ACTION:**

Staff recommends that the Panel approve the Amendment if funding is available and the project meets Panel priorities. This recommendation is based on Frito-Lay’s stated need to provide its employees with skills to enhance the company's ability to remain competitive and to grow, to ensure a continuing relationship with its customers, and to remain viable in the California economy.

**TRAINING PLAN: PHASE I**

Grp/Trainee Type	Types of Training	No. Retain	No. Class/Lab Videocnf. Hrs	No. CBT Hrs	No. SOST Hrs.	Cost per Trainee	Hourly Wage after 90 days
Jobs 1 – 3 Retrainee	Commercial Skills Continuous Improvement Computer Skills Business Skills Management Skills	122	70-113	0	0	\$910-\$1,469	\$12.50-\$49.52
					<b><u>Prevalent Hourly Wage</u></b> \$13.00/hr		
					<b><u>Average Cost per Trainee</u></b> \$1,020		
<b><u>Health Benefit used to meet ETP minimum wage:</u></b> N/A					<b><u>Turnover Rate</u></b> 6%	<b><u>% of Mgrs &amp; Supervisors to be trained:</u></b> N/A	

**TRAINING PLAN: Phase II**

Grp/Trainee Type	Types of Training	No. Retain	No. Class/Lab Videocnf. Hrs	No. CBT Hrs	No. SOST Hrs.	Cost per Trainee	Hourly Wage after 90 days
Job 4 Retrainee	Commercial Skills Continuous Improvement Computer Skills	40	70	0	0	\$910	\$12.50-\$16.58
					<b><u>Prevalent Hourly Wage</u></b> \$13.10/hr		
					<b><u>Average Cost per Trainee</u></b> \$910		
<b><u>Health Benefit used to meet ETP minimum wage:</u></b> N/A					<b><u>Turnover Rate</u></b> 6%	<b><u>% of Mgrs &amp; Supervisors to be trained:</u></b> N/A	

Contractor: Frito-Lay, Inc.

Training Data									(c) Payment Schedule				
1	2	3	4	5 (a)	6	7	8	9	10	11	12	13	14 (u)
Job #	Occupations	Type of Training	No. Retain	Cls/Lab Video- conf. Hours	CBT Hours	(b) SOST Hours	Cost Per Trainee	Total SOST Trainer Hrs.	Hrs. to Enroll/ Pay 1 Enroll	Pay 2 Compl	Pay 3 Hired	Pay 4 After 90 Days	Wage After Reten- tion
1	Phase I Technician, Picker	Direct-Employer, Retrainees MENU: Trainees will receive one or more from the following: Commercial Skills Continuous Improvement Business Skills Computer Skills	92	70			\$910		8	\$ 227.50	\$ 455.00	\$ - \$ 227.50	\$12.50 - 16.88
687				70									
2	Phase 1 Warehouse Lead	Direct-Employer, Retrainees MENU: Trainees will receive one or more from the following: Commercial Skills Continuous Improvement Business Skills Computer Skills	20	113			\$1,469		8	\$ 367.25	\$ 734.50	\$ - \$ 367.25	\$13.10 - 19.99
687				113									

(a)Advanced Technology must be provided as class/lab.

(b)Figures for calculation purpose only.

(c)For Welfare to Work: Pay 2=50% Completion hrs. Pay 3=100% Completion hrs.

(d)Wages by occupation on Comment Page.

Contractor: Frito-Lay, Inc.

Training Data									(c) Payment Schedule				
1	2	3	4	5 (a) Cls/Lab Video- conf.	6	7	8	9	10	11	12	13	14 (u) Wage After Reten- tion
Job #	Occupations	Type of Training	No. Retain	Hours	CBT Hours	(b) SOST Hours	Cost Per Trainee	Total SOST Trainer Hrs.	Hrs. to Enroll/ Pay 1 Enroll	Pay 2 Compl	Pay 3 Hired	Pay 4 After 90 Days	
3	Phase 1 Operations Manager	Direct-Employer, Retrainees MENU: Trainees will receive one or more from the following: Commercial Skills Continuous Improvement Business Skills Computer Skills Management Skills	10	87			\$1,131		8	\$ 282.75	\$ 565.50	\$ - \$ 282.75	\$19.23 - 49.52
687				87									
4	Phase 2 Picker	Direct-Employer, Retrainees MENU:Trainees will receive one or more of the following: Commercial Skills Continuous Improvement Computer Skills	40	70			\$910		8	\$ 227.50	\$ 455.00	\$ - \$ 227.50	\$12.50- \$16.58
687				70									

### Contract Totals

<b>Program Cost</b>		<b>\$160,810</b>	<b>Total to be Retained</b>	<b>162</b>
<b>Substantial Contribution (___%)</b>	(-)	<b>\$0</b>		
<b>Multiple-Empl. Support (___%)</b>	(+)	<b>\$0</b>		
<b>TOTAL ETP Funding</b>	(=)	<b>\$160,810</b>		

(a)Advanced Technology must be provided as class/lab.

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(d)Wages by occupation on Comment Page.

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Turnover Rate	% of Mgrs. & Sups. to be trained		Health Benefits Inc. in Wage?		
6.0%	0.0%		No		

Location of training: All training will be given at California Distribution Centers in La Mirada, El Toro, Bloomington, Palm Springs, Victorville, Murrieta, Chula Vista, Santee, Vista, Sylmar, Nipomo, Ventura, Industry, Bakersfield, Lancaster and Torrance during work hours.

Ratios: The ratio of trainers to trainees for class/lab training shall not exceed 1:20 for retrainees.

If Health Benefits is "YES", please explain: N/A

Other notes:

**The effective date of this Amendment No. 1 as indicated on the ETP 301.**